

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SAL-01 IGA-02 ABF-01 RSR-01 /128 W
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R 031035 Z APR 73

FM AMEMBASSY PHNOM PENH
TO SECSTATE WASHDC 0752

C O N F I D E N T I A L PHNOM PENH 3105

FOR STATE/ AID

E. O. 11652: GDS

TAGS: EFIN, CB

SUBJECT: NOUVEAU MARCHE SALES, APRIL 2, 1973

1. BIDS FOR FOREIGN EXCHANGE ON THE NOUVEAU MARCHE RANGED BETWEEN 231 AND 287 WITH A TOTAL VALUE OF \$601,000. THE ACTUAL AMOUNT SOLD WAS \$598,000 AT 231, WITH \$3,000 NOT APPROVED BY THE BNC FOR TECHNICAL REASONS. NO FOREIGN EXCHANGE FOR PL 480 FREIGHT WAS SOLD.

2. THIS IS THE THIRD CONSECUTIVE MARKET WITH LARGE (APPROXIMATELY DOUBLE THE DESIRED RATE) FOREIGN EXCHANGE SALES AND NO CHANGE IN THE RATE. MR. EVERS, THE IMF REPRESENTATIVE, HAS CONFIRMED THAT THERE HAVE BEEN LARGE SALES OF FOREIGN EXCHANGE FOR CARS (SPECULATING AGAINST A POSSIBLE BAN ON THESE IMPORTS) ALTHOUGH THE ACTUAL AMOUNTS ARE NOT YET AVAILABLE TO THE MISSION. MR. EVERS IS WORKING WITH THE MINISTRY OF FINANCE ON INCREASING TAXES ON CARS. IT IS NOW APPARENT THE GKR WILL NOT BAN LUXURY GOODS BUT RATHER INCREASE TAXATION. THE MISSION PLANS TO EXPRESS ITS DISPLEASURE WITH THE SITUATION POINTING OUT THE POLITICAL IMPACT OF CONTINUAL IMPORTATION OF LUXURY GOODS.

3. THE BNC HAS SUPPLIED THE MISSION WITH A FIGURE OF \$417,750 THAT
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REPRESENTS THE AMOUNT OF FOREIGN EXCHANGE SOLD ON THE NOUVEAU MARCHE TO DATE THIS YEAR FOR IMPORTS (EXCLUSIVE OF THE THAI RICE) THAT IS

NOT Y COUNCIL" TO INCLUDE SOCIOLOGISTS AND OTHERS KNOWLEDGEABLE ON ROOT PROBLEMS OF MUSLIM DISSIDENCE. THIS GROUP WOULD ADVISE ON INDIVIDUAL PROJECTS, THE STRENGTHENING OF LOCAL GOVERNMENT INCLUDING REVITALIZATION LOCAL POLICE, THE ADMINISTRATION OF AGRICULTURAL CREDIT, ETC.

C. CIVIC PROJECTS SPONSORED BY MAGSAYSAY AND FILIPINAS FOUNDATIONS, MINDANAO STATE UNIVERSITY AND OTHERS. THESE INCLUDE BRASS-CRAFT, CERAMICS, DUCK RAISING, ETC., AND WILL BE CLOSELY COORDINATED WITH GOVERNMENT EFFORTS.

2. SECRETARIAT OF TASK FORCE IS STAFF OF INFRASTRUCTURE OPERATIONS CENTER WHICH PROVIDING SAME SERVICE TO CENTRAL LUZON FLOOD REHABILITATION PROGRAM. MELCHOR NOTED THAT PRES. MARCOS HIGHLY PLEASED LUZON OPERATION AND HAD DIRECTED SAME APPROACH BE USED IN MINDANAO. MISSING, OF COURSE, FROM LATTER IS \$50 MILLION SPECIAL GRANT FROM U. S. CONGRESS WHICH PLAYING KEY ROLE IN SUCCESS OF FLOOD REHABILITATION.

3. MARCOS MIRRORED THE APPROACH BEING ADVOCATED BY MELCHOR TASK FORCE IN WIDELY PUBLICIZED SPEECH MARCH 25 IN WHICH HE PROMISED MUSLIMS " REFORMS NOT BULLETS" AND JOINT SHARE IN BENEFITS OF PEACEFUL AND PROGRESSIVE SOCIETY.

4. PRIORITY EMPHASIS OF TASK FORCE CONTINUES BE IN ACCELERATION RURAL ELECTRIFICATION, PROVINCIAL DEVELOPMENT AND IRRIGATION PROJECTS AS THESE ARE RURAL PROGRAMS ALREADY SUFFICIENTLY ADVANCED, ORGANIZED AND WELL LED AS TO PERMIT EARLY STARTS. NEA PLANS SIGN LOAN FOR JOLO ELECTRIC COOPERATIVE APRIL 7 AND PLANT FIRST POLE IN MARAWI ELECTRIC COOPERATIVE LATER IN MONTH. MELCHOR HAS INFORMED USAID THAT GOP PLANS EXTEND PROVINCIAL DEVELOPMENT PROGRAM (PDAP) TO OTH LANA DEL SUR AND COTABATO ASAP WITH THESE PROVINCES ACCOUNTING FOR TWO OF THE FOUR NEW PROVINCES PLANNED FOR FY 74. THIS WILL BE FIRST TIME A MUSLIM PROVINCE HAS RECEIVED SUFFICIENT GOP PRIORITY TO GAIN ENTRY PDAP PROJECT.

5. WE HAVE ENCOURAGED PDAP INITIATE PLANNING, TRAINING AND EARLY STAGE ACTIVITIES THESE TWO MUSLIM PROVINCES. EXTENSION LIMITED OFFICIAL USE

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IRRIGATION SYSTEMS HAS ASSUMED ESPECIALLY HIGH PRIORITY AT THIS TIME DUE PROTRACTED DROUGHT IN MINDANAO. AS FOR IRRIGATION, GOP LOOKING FOR OPPORTUNITIES EXPAND EXISTING MINDANAO IRRIGATION SYSTEMS FOR IMMEDIATE RICE PLANTINGS, INCLUDING GIVING SPECIAL ATTENTION MUSLIM AREAS WHERE IRRIGATION LEAST DEVELOPED AND WOULD NOT NORMALLY RECEIVE HIGH PRIORITY. TASK FORCE HAS IDENTIFIED SITES IN MUSLIM AREAS COTABATO AND LANA DEL SUR FOR IMMEDIATE ATTENTION. USAID WILL COOPERATE BY PROVIDING

FOOD FOR WORK COMMODITIES AUTHORIZED FOR REFUGEE RELIEF AND POSSIBLY EXCESS CONSTRUCTION EQUIPMENT.

6. A MORE DETAILED PROPOSAL IS MELCHOR'S PLAN, WHICH HE INDICATED ALREADY HAS MARCOS' APPROVAL, TO FORM A SPECIAL PIONEER ENGINEERING CONSTRUCTION BATTALION AS ORGANIC ELEMENT 51 ST ENG. BRIGADE. SPECIFIC PURPOSE THIS BATTALION (BN.) IS ASSIST NIA, NPC AND NEA WITH IRRIGATION AND ELECTRIC POWER SYSTEMS IN MUSLIM AREAS WHERE PRIVATE CONTRACTORS ARE OR MAY BE HESITANT TO WORK DUE PEACE AND ORDER PROBLEMS. BN. TO CONSIST OF ONE CONSTRUCTION COMPANY AND THREE POWER LINE COMPANIES. MELCHOR EXPLAINED THAT HE PARTICULARLY CONCERNED THAT WORK UNDER THE \$44 MILLION IN ADB LOANS FOR MINDANAO TRANSMISSION LINES AND POWER PLANTS COULD BE DELAYED IF PRIVATE CONTRACTORS SHOULD PROVE RELUCTANT TO WORK IN AREAS OF PRESENT UNREST. HE ATTEMPTING PROVIDE PRIVATE CONTRACTORS BOTH GENUINE ASSIST AND ENCOURAGEMENT PROCEED WITH CONTRACTS AS WELL AS NOT TOO SUBTLE THREAT THAT GOP HAS ALTERNATIVE TO RELIANCE ON PRIVATE CONTRACTORS FOR MAJOR SEGMENTS OF WORK. ACCORDING MELCHOR THE BN. IS TO BE FUNDED BY GOVERNMENT AGENCIES, PRINCIPALLY NDC, AND HE WOULD LIKE IT TO BE EQUIPPED BY COMBINATION MAP, USAID EXCESS PROPERTY AND REHAB OF GOP PUBLIC WORKS DEPARTMENT DEADLINED EQUIPMENT. (USAID DIRECTOR WHO ATTENDED TASK FORCE MEETING INDICATED ANY USAID- PROVIDED EXCESS WOULD NEED BE TITLED IN CIVILIAN AGENCY AND USED FOR NON-MILITARY PURPOSE.) PERSONNEL FOR BN TO CONSIST NPC/ NEA TRAINED LINEMEN FROM MINDANAO; CORE STAFF FROM AFP ENGINEERS; NPC CIVILIAN TECHNICIANS AUGMENTATION AND 100 EM TRAINEES. MELCHOR ASKED IF PESO PROCEEDS OF AID'S \$20 MILLION DEVELOPMENT LOAN COULD BE USED FOR SUPPORT OF PIONEER CONSTRUCTION BN. HE INFORMED TERMS OF LOAN WOULD PERMIT BUT CAUTIONED NOT IDENTIFY/ INVOLVE AID IN ANY WAY WITH MILITARY ACTIVITY.

7. WITHOUT OPPOSING FORMATION NEW CONSTRUCTION BN, COMMANDER AFP FORCES COTABATO, COL. AHORRO, EXPRESSED VIEW LIMITED OFFICIAL USE

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THAT HIGHEST PRIORITY SHOULD BE GIVEN CONSTRUCTION COMMUNAL IRRIGATION SYSTEMS IN MUSLIM AREAS USING FOOD FOR WORK TECHNIQUES WITHOUT INVOLVEMENT AFP SECURITY FORCES. TASK FORCE AGREED.
BYROADE

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